

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement (this "Agreement") is made and entered into this 14th day of May, 2004, by and between Marina City Club Condominium Owners Association, Inc., a California corporation (the "Association"), and Essex Marina City Club, L.P., a California limited partnership ("Essex"), successor-in-interest to Marina City Club, L.P. ("MCC").

RECITALS

WHEREAS, the County of Los Angeles (the "County") and MCC entered into that certain Second Amended and Restated Lease [Improved Parcel] dated October 27, 1987 and identified as Lease No. 55624 (as amended, the "Lease"), pursuant to which MCC leased from the County certain real property more particularly described in the Lease (the "Property").

WHEREAS, the Property under the Lease is improved with, among other things, three high-rise towers that include 600 residential units commonly known as the "Marina City Club Condominiums."

WHEREAS, following the execution of the Lease, MCC, as sublessor, entered into a Master Condominium Sublease dated as of January 5, 1988 (as amended, the "Master Condominium Sublease") with Marina City Condominiums, a California limited partnership ("Master Sublessee"), pursuant to which a portion of the Property, which portion includes the Marina City Club Condominiums and certain common areas, was leased to the Master Sublessee for the purpose of establishing a subleasehold condominium regime with respect thereto.

WHEREAS, following the creation of the subleasehold condominium regime, Master Sublessee commenced a program of assigning its interest under the Master Condominium Sublease, on a condominium by condominium basis, to individual condominium sublessees (each a "Condominium Sublessee").

WHEREAS, pursuant to that certain Assignment of Lease dated as of December 11, 2003 and that certain Acceptance of Assignment of Lease dated as of December 18, 2003, Essex acquired all of MCC's right, title and interest in and to, and assumed MCC's obligations under the Lease effective as of January 21, 2004.

WHEREAS, pursuant to that certain Assignment of Enforcement Deeds of Trust, Condominium Subleases and Prepaid Leases dated as of January 21, 2004 and recorded on January 22, 2004 as Instrument No. 04-0144364 in the Official Records of Los Angeles County, Essex acquired all of MCC's right, title and interest in and to, and assumed MCC obligations as sublessor under, the Master Condominium Sublease.

WHEREAS, concurrently herewith, the County and Essex are amending the Lease to provide, among other things, that the County shall (i) deposit certain funds into the "Condominium Project Repairs Account" (as defined in the 4th Amendment, as defined below) and (ii) disburse funds from such account (the "Disbursed Repair Funds") to Essex from time to time for the purpose of reimbursing Essex for that portion of the costs of certain repairs and refurbishments to certain improvements located on the Property that is allocable to the Category A Units (as defined in the 4th Amendment), all as more particularly provided in that

certain Amendment No. 4 to the Second Amended and Restated Lease (Improved Parcel) No. 125R-Marina del Rey Small Craft Harbor (the "4th Amendment").

WHEREAS, the Association is presently distributing copies of the 4th Amendment to the Condominium Sublessees, along with other materials and a proposed amendment to the Master Condominium Sublease for each condominium unit, copies of which documents are also on file in the Marina City Club Management Office.

WHEREAS, Essex and the Association wish to enter into this Agreement in order to implement procedures for the use of the Disbursed Repair Funds.

WHEREAS, MCC and the Association entered into that certain Agreement regarding Settlement of Pending Litigation between the Association and MCC, dated as of June 30, 1994 (the "Settlement Agreement") to confirm certain terms and conditions relating to, among other things, the management of the Property and disbursement of certain reserve funds

WHEREAS, all initially-capitalized terms used but not defined in this Agreement shall have the meanings given such terms in the Settlement Agreement.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Essex and the Association agree as follows:

A. **Areas Controlled by Management Council.**

Essex and the Association agree and acknowledge that an independent contractor, under the supervision of MCC and the Management Council, has been responsible for collecting all monthly maintenance fees paid with regard to the 701 residential units on the Property, and that the Management Council has been responsible for the management of the Towers Common Areas and the Shared Common Areas prior to Essex' acquisition of a leasehold estate in the Property. Such independent contractor or another independent contractor selected by the Management Council shall continue to collect all such monthly maintenance fees, under the supervision of Essex and the Management Council, and the Management Council shall continue to be responsible for the management of the Towers Common Areas and the Shared Common Areas in accordance with the Settlement Agreement.

B. **Independent Property Management Company.**

Essex and the Association agree and acknowledge that Section A.4 of the Settlement Agreement, concerning the hiring of an Independent Property Management Company, was not previously implemented, and that the Management Council managed the Project prior to Essex' acquisition of a leasehold estate in the Property. The parties acknowledge that a Management Company shall be promptly retained in accordance with Paragraph A.4 of the Settlement Agreement.

C. **Budgets.**

Essex and the Association agree and acknowledge that the annual operating budget for future years shall provide for adequate funds, including but not limited to use of the Disbursed

Repair Funds, to complete the Priority Repairs (as defined in the 4th Amendment) within the time limitations specified in the 4th Amendment.

D. Disbursed Repair Funds.

The following terms and conditions shall govern the use of the Disbursed Repair Funds:

1. Covered Repairs and Category A Reserve Account. Pursuant to Section 4.5 and Exhibit W of the 4th Amendment, the County is obligated to disburse certain Disbursed Repair Funds to Essex from time to time to reimburse Essex for a portion of the cost of certain Covered Repairs (as defined in the 4th Amendment) to the improvements located on the Property. Essex hereby agrees to deposit all Disbursed Repair Funds into a separate reserve account referred to herein as the "Category A Reserve Account," which shall be administered by the Management Council in accordance with the terms of this Agreement. Costs for Covered Repairs shall be allocated between the Towers Common Areas and the Shared Common Areas based on whether the applicable Covered Repair is within the Towers Common Areas or the Shared Common Areas. With respect to the disbursement of funds from the Category A Reserve Account, the following provision shall govern:

a. Except as set forth in Paragraph D.1(b) below, all checks written on the Category A Reserve Account must have two (2) signatures from members of the Management Council, one of which must be from a Debtor Representative and the other of which must be from an Association Representative.

b. If both of the Association Representatives refuse or fail to sign for a disbursement and the conditions for Essex to have authority to sign checks set forth in Paragraph D.3 below (the "Disbursement Conditions") have been satisfied, including satisfaction of any applicable notice and cure provisions set forth in Paragraph D.3 below, checks may be issued from the Category A Reserve Account to pay for the Category A Units' Applicable Percentage of Covered Repairs with either (i) the signatures of two Debtor Representatives or (ii) the signatures of one Debtor Representative and the Independent Member.

2. Distribution of Category A Reserve Account Funds. Essex and the Association hereby agree that the Disbursed Repair Funds deposited in the Category A Reserve Account shall be distributed and disbursed in the following order of priority:

a. First, to the Shared Common Areas Reserve Account, in an amount not to exceed \$350,000, to fund any unpaid portion of the condominium owners' share of the settlement with "Ridley" for structural concrete repair work.

b. Second, to the Towers Reserve Account, in an amount not to exceed \$150,000, to reimburse actual transaction costs incurred by the Association in connection with the execution and recording of the 4th Amendment and the Condominium Sublease Amendments for the Category A Units, including but not limited to recording costs, title insurance premiums, mailing costs, notary charges, and other administrative costs.

c. Third, the amount of \$750,000 shall be held in the Category A Reserve Account, to be disbursed to the Shared Common Areas Reserve Account or Towers Reserve Account, as applicable, when and as needed to pay for the Category A Units' Applicable Percentage of Covered Repairs, which funds shall be credited against any Monthly Maintenance Fees (as defined in the Master Condominium Sublease) or Supplemental Maintenance Fees (as defined in the Master Condominium Sublease) assessed against the Category A Units to pay for such Covered Repairs.

d. Fourth, with respect to any Disbursed Repair Funds attributable to Covered Repairs that were completed after the effective date of the 4th Amendment, those funds shall be retained in the Category A Reserve Account in an amount sufficient to maintain an ongoing rolling balance of at least \$750,000 in that Category A Reserve Account to fund through completion the Category A Units' Applicable Percentage of Covered Repairs as required for the Priority Repairs, which balance shall be disbursed to the Shared Common Areas Reserve Account or the Towers Reserve Account, as applicable, when and as needed to pay for the Category A Units' Applicable Percentage of Covered Repairs, which funds shall be credited against any Monthly Maintenance Fees or Supplemental Maintenance Fees assessed against the Category A Units to pay for such Priority Repairs; or

e. Fifth, with respect to any Disbursed Repair Funds attributable to Covered Repairs that were completed prior to the effective date of the 4th Amendment, those funds shall be disbursed to the applicable operating account or the Towers Reserve Account, in an amount not to exceed \$750,000, to fund the Condominium Sublessees' share of the then outstanding accounts payable provided on the effective date of the 4th Amendment.

f. Sixth, up to the remaining maximum amount reimbursable by the County pursuant to the 4th Amendment, all funds shall be retained in the Category A Reserve Account, which funds shall be disbursed to the Shared Common Areas Reserve Account or the Towers Reserve Account, as applicable, when and as needed to pay for the Category A Units' Applicable Percentage of any Covered Repairs, which funds shall be credited against any Monthly Maintenance Fees or Supplemental Maintenance Fees assessed against the Category A Units to pay for such Covered Repairs.

g. Seventh, provided all of the foregoing contained in subparagraphs D.2(a) through D.2(f) have been fulfilled, then unless otherwise agreed to in writing by Essex and the Association (which may be withheld in either party's sole and absolute discretion), the balance of the Category A Reserve Account to the Shared Common Areas Reserve Account, when and as needed to pay for the Category A Units' Applicable Percentage of other necessary capital repairs to the Shared Common Areas, which funds shall be credited against any Monthly Maintenance Fees or Supplemental Maintenance Fees assessed against the Category A Units to pay for such repairs.

The parties also acknowledge that an accounting will be performed to properly charge and credit the Category A Units and the Category B Units (as defined in the 4th Amendment) for any funds used to pay the amounts disbursed in accordance with subparagraphs D.2(a), D.2(b) and D.2(e) above, as well as for any past amounts paid for transaction costs associated with the 4th Amendment.

3. Compliance with Lease. Notwithstanding any provisions of this Agreement or any other agreement between the Association and Essex to the contrary, Essex shall have the right to unilaterally disburse funds from the Category A Reserve Account to pay for the Category A Units' Applicable Percentage (as defined in the 4th Amendment) of any Covered Repairs, and to take any other actions necessary or desirable to complete the Covered Repairs, if one of the following occurs: (a) the Management Council or the Board of Directors acts or fails to act with respect to the disbursement of funds from the Category A Reserve Account to pay for Covered Repairs, where such act or failure to act would then constitute, or with the passage of time would constitute, a default under the Lease, (b) the County of Los Angeles (the "County") declares the Lease to be in default, or (c) the applicable Covered Repair has not been completed and paid for within one (1) year prior to the completion date set forth on Schedule 1 to Exhibit W of the 4th Amendment, as such schedule may be changed from time to time.

In such event, upon the expiration of a period of five (5) business days after the Association's receipt of written notice from Essex of Essex's intention to exercise rights under this subparagraph D.3 (which notice shall include a description of the act or failure to act that Essex contends gave rise to rights under this paragraph and of the steps that Essex contends must be taken to cure such act or failure to act), Essex shall have the right to sign checks from the Category A Reserve Account to directly pay (without flowing through the Shared Common Areas Reserve Account or the Towers Reserve Account) for the Category A Units' Applicable Percentage of the Covered Repairs in question, unless within such five (5) business day period: (a) the Management Council or the Board of Directors cures such default or anticipated default; or (b) the County has indicated to Essex's reasonable satisfaction that it no longer considers Essex to be in default or that it will not declare Essex in default based on the act or failure to act described in the written notice from Essex. Notwithstanding anything to the contrary contained in this Paragraph D.3, the parties acknowledge that an event in which an applicable Covered Repair has not been completed and paid for within one (1) year prior to the completion date set forth in Schedule 1 to Exhibit W of the 4th Amendment is an event which cannot be cured, so Essex shall immediately have all of the rights provided in this paragraph if such event occurs, all without the Association having any cure rights, provided Essex shall give the Association the notice provided above in the event that it intends to exercise its rights. Nothing contained in this Agreement shall operate to (i) relieve Essex from any obligation that it would otherwise have had to the County under the Lease or (ii) limit the rights and remedies of either party under the Settlement Agreement or otherwise.

E. Enforcement Deed of Trust.

The Association hereby agrees and acknowledges that the EDOT Plan outlined in the Settlement Agreement was never implemented. The Association further acknowledges that until the Disbursed Repair Funds Balance has been reduced to zero, each Condominium Sublessee that elects to be a Category A Unit by executing an Amendment to Condominium Sublease and Condominium Subleasehold Deed of Trust and Assignment of Rents and Consent and Agree-

ment of Junior Lender for Unit No. ____ of the Marina City Club Condominiums, as to its particular unit, shall have waived, relinquished and surrendered any right it may now or hereafter have to require subordination of the Subleasehold Deed of Trust encumbering its unit to any other mortgage or other financing encumbering its Condominium Sublease, on any terms or for any purpose, including, without limitation, its right, if any, to request or require such subordination pursuant to the terms of the Settlement Agreement.

F. Towers Reserve Account.

Until all the Priority Repairs have been completed in accordance with the terms of the 4th Amendment, except for disbursements in the amount of One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000) for the purposes described in Sections D.2(a), D.2(b) and D.2(e) above, all funds deposited in the Towers Reserve Account from time to time shall be used solely to pay for Covered Repairs or for other capital repairs to the Towers Common Areas.

G. Cooperation.

1. The Association and Essex agree and acknowledge that the Condominium Project Repairs Account and the County's obligation to make disbursements therefrom are subject to the terms and conditions contained in Exhibit W to the 4th Amendment, and that the Association has no right to request or accept disbursements from the Condominium Project Repairs Account. Furthermore, the Association agrees and acknowledges that it has no interest in the Condominium Project Repairs Account and all funds on deposit therein from time to time shall be and remain the sole property of County until such time as such funds are disbursed to Essex as provided in Exhibit W to the 4th Amendment.

2. The Association shall exercise good faith efforts and cooperate with the County and Essex to cause the Covered Repairs to be made. For purposes of implementing the Covered Repairs, and all actions, directions or decisions of the Association in connection therewith, the Association shall act through its representatives on the Management Council, so long as the Management Council remains in existence and serves the function assigned to it under the Settlement Agreement. The Association representatives on the Management Council shall have the authority to conclusively bind the Association with respect to the foregoing matters. In connection with the foregoing, the Association shall instruct its representatives on the Management Council to authorize the performance of the Covered Repairs and the implementation of all steps necessary to fund the performance of the Covered Repairs, including, without limitation, adoption of all necessary budgets, collection of any necessary Maintenance Fees and/or Supplemental Maintenance Fees under the Master Condominium Sublease to the extent that the Covered Repairs are not otherwise funded from another source, and prompt execution and delivery of any documentation or certifications, including certifications of approval of the Covered Repairs, necessary to cause the County to disburse funds from the Condominium Project Repairs Account to Essex. Without limitation of the foregoing, the Association, at its own cost and expense, shall cooperate with Essex and use commercially reasonable efforts, as consistent with the Declaration of Covenants, Conditions and Restrictions for the Marina City Club Owners Association and applicable law, to cause the Condominium Sublessees of the Category B Units (as such term is defined in the 4th Amendment) to fund their share, based upon their "Operating Expense Percentage" (as such term is defined in the Master Condominium Sublease), of the Covered Repairs made to the Condominium Project; provided, however, that the Association shall not be required to prosecute any legal action against the Condominium Sublessees of the Category B Units in order to comply with the provisions of this paragraph.

The Association shall not unreasonably withhold its consent to any reasonable modification to the list of Covered Repairs that County or Essex may propose in connection with the implementation of the repair and refurbishment process at the Condominium Project (as defined in the 4th Amendment) including, without limitation, proposed modifications based upon the recommendation of qualified third party consultants concerning the capital repair needs and priority of work for the Shared Common Areas and the Tower Common Areas.

3. The Association represents and warrants that it has or will timely disclose and deliver or otherwise make available to all Condominium Sublessees all relevant information and documentation concerning and/or relating to the 4th Amendment, including this Agreement.

H. Miscellaneous Provisions.

1. Effective Date/Termination. This Agreement shall be effective upon the date when a Memorandum of the 4th Amendment is recorded in the Official Records of Los Angeles County, California. If the Amendment Conditions (as defined in the 4th Amendment) are not satisfied or waived on or before the Outside Date (as such term may hereafter be amended by the parties to the 4th Amendment) then all terms of this Agreement shall be deemed null and void and of no further force and effect. Notwithstanding the foregoing, Sections A and B above (and the miscellaneous provisions as they relate to the implementation of said Sections A and B) shall be effective immediately upon execution of this Agreement, and the subsequent failure to record a Memorandum of the 4th Amendment or to satisfy the Amendment Conditions by the Outside Date shall not waive, limit or otherwise affect the continuing effectiveness of those Sections, which shall remain enforceable in accordance with their terms.

2. Merger. Except as otherwise provided herein, this Agreement constitutes the complete agreement of the parties in connection with every matter included in and resolved by this Agreement and supersedes any and all prior or contemporaneous negotiations, promises, covenants, agreements, representations of any kind or nature whatsoever, all of which have become fully merged and finally integrated into this Agreement. This Agreement cannot be amended, modified or supplemented except by a written document executed by each party to this Agreement.

3. Binding on Successors. This Agreement shall inure to the benefit of and shall bind the parties and the heirs, executors, administrators, assigns and successors in interest, as the case may be, of each of the parties hereto.

4. Notices. Any notice or approval required or permitted to be given hereunder by one party to the other shall be in writing, shall be effective upon actual delivery to the address specified, and shall be hand delivered, sent by overnight delivery service or by registered or certified mail, return receipt requested, or by facsimile transmission with a "hard" copy delivered the next business day, addressed to the party at the addresses hereinafter specified:

To Essex:	Essex Marina City Club, L.P. c/o Essex Property Trust, Inc. 925 East Meadow Drive Palo Alto, California 94303 Attn: General Counsel
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To Association:

Marina City Club Condominium Owners Association
Marina City Club
4333 Admiralty Way
Marina Del Rey, California 92092

From time to time, either party may designate another address for notices by giving the other party advance written notice of such change of address in accordance with the provisions hereof.

5. Attorneys' Fees. If either party commences an action against the other to enforce any of the terms of this Agreement or because of the breach by either party of any of the terms of this Agreement, the losing or defaulting party, whether by out-of-court settlement or final judgment, shall pay to the prevailing party the actual costs and expenses incurred in connection with the prosecution or defense of such action and any appeals in connection therewith, including actual accountants' fees and actual attorneys' fees.

6. Construction. The rule that any ambiguous provision of an agreement may be construed against the party that drafted the agreement shall not be used in interpreting this Agreement.

7. Waiver. No waiver by a party of a breach of any of the provisions of this Agreement shall be construed or held to be a waiver of any succeeding or preceding breach of the same or any other provision of this Agreement. The failure of the parties hereto to strictly enforce any rights conferred by this Agreement shall not constitute a waiver of such rights.

8. Further Acts. Each party hereto agrees to take such further acts and execute such additional documents as may be necessary or desirable to carry out the provisions and purposes of this Agreement.

9. Headings. The headings used in this Agreement are inserted for convenience only and neither constitute a portion of this Agreement nor in any manner affect the provisions of this Agreement.

10. Severability. If any term, covenant, condition or provision of this Agreement, or the application thereof to any person or circumstance, shall to any extent be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, covenants, conditions or provisions of this Agreement, or the application thereof to any other person or circumstance, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

11. Authority. Each individual executing this Agreement on behalf of an entity represents that he has been duly authorized to do so.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

ESSEX:

ESSEX MARINA CITY CLUB, L.P.,
a California limited partnership

By: Essex MCC, LLC,
a Delaware limited liability company,
its general partner

By: Essex Portfolio, L.P.,
a California limited partnership,
its sole member

By: Essex Property Trust, Inc.,
a Maryland corporation,
its general partner

By: *H. Kelly*
Name: GERALD F. KELLY
Title: VICE PRESIDENT

ASSOCIATION:

MARINA CITY CLUB CONDOMINIUM OWNERS
ASSOCIATION, a California nonprofit
mutual benefit corporation

By: _____
Gene Rothstein, President

By: _____
Sidney Pelston, Vice President

By: _____
Sheila Ruby, Secretary

By: _____
Linda Schiller, Director/Chief Financial Officer

By: _____
Eileen Fend, Director/Club Council President

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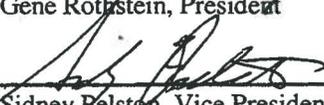
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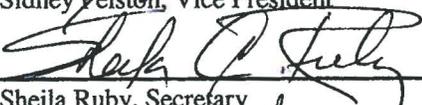
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Name: _____
Title: _____

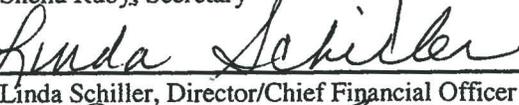
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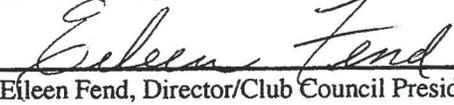
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